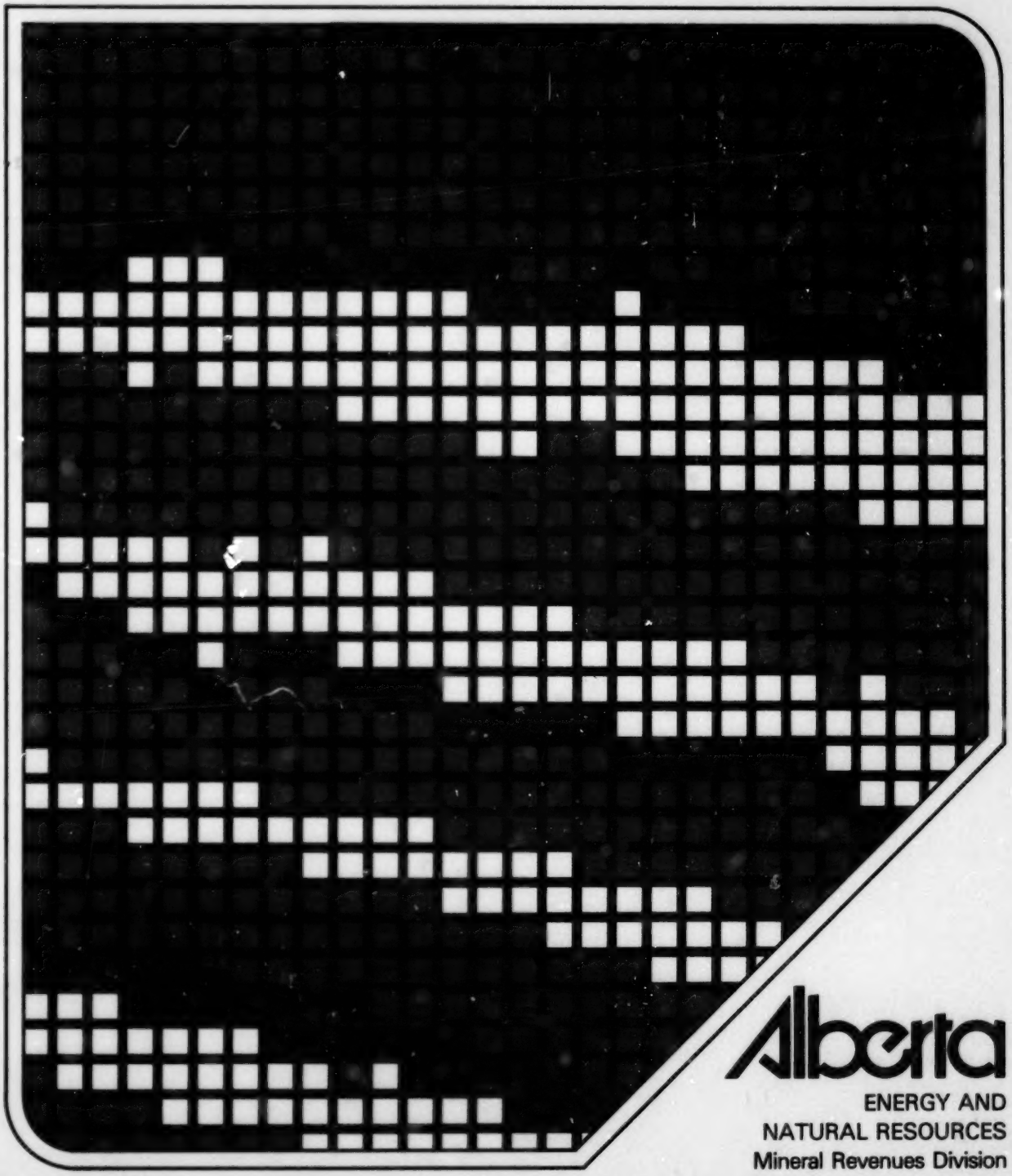
5.

Freehold Mineral Tax

Information on the Freehold Mineral Rights Tax Act and Regulations



Alberta

ENERGY AND
NATURAL RESOURCES
Mineral Revenues Division

84- 3665 /

FREEHOLD MINERAL TAX

Information on the Freehold Mineral Rights Tax Act and Regulations

1984
Edmonton

Alberta
ENERGY AND
NATURAL RESOURCES
Mineral Revenues Division

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telephone 427-7737
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PREFACE

During the 1983 spring session of the Alberta legislature, the Freehold Mineral Rights Tax Act was introduced and passed, subsequently receiving royal assent on June 6, 1983.

This publication has been prepared for the convenience of freehold mineral owners and their lessees and/or payers. It is intended to serve as a guide in understanding legislation relating to the taxation of freehold mineral rights in Alberta under the Freehold Mineral Rights Tax Act and Regulations.

All persons making use of this publication are advised that the information contained does not have any legislative or official government sanction, and accordingly is not binding in any way upon the Government of Alberta and, in particular, the Department of Energy and Natural Resources.

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1. INTRODUCTION

Freehold mineral rights are considered to be those mineral rights owned by corporations or individuals other than the Crown in right of the province of Alberta. A certificate of title is issued in the Land Titles Office for each owner of a freehold mineral in a particular tract of land.

A tax will be calculated and levied on each taxable mineral right on an annual basis. A tax statement will be sent to the owner of the taxable mineral right stating the amount of tax payable.

2. TAXABLE MINERAL RIGHT

Each petroleum right and natural gas right forming a production entity, or part of a production entity, are taxable mineral rights. A petroleum right includes solution gas; a natural gas right includes gas well condensate. Under present regulations all other mineral rights are exempt from taxation.

3. TAX LEVY

Taxation Year

Tax on a taxable mineral right will be levied on an annual basis in the year following the taxation year. A taxation year is a calendar year.

Tax Statements

Tax statements will be sent on or before March 31 in the year following the taxation year. A separate tax statement is sent for each taxable mineral right described in an owner's certificate of title (examples in Appendices 1, 2 and 3).

Attached to the statement will be a detailed tax calculation for each petroleum and/or natural gas well taxed, together with a tax summary in duplicate showing all titles bearing a tax and the total tax payable by an owner. The duplicate copy is to be returned with payment. Tax statements for lessees and/or payers where there is more than one specified owner registered in a certificate of title will be in the format indicated in Appendix 4.

Allowable Reduction

Each mineral right taxed may be allowed a reduction of the tax payable to a maximum of $1600 for each owner's specified interest in a tract as registered in a certificate of title at the Land Titles Office on or before March 1 of the year following the taxation year. (See also the sections dealing with the formulas for the calculation of petroleum and natural gas under Part 4.)

Minimum Tax

Tax statements will not be sent if the total tax payable for an owner's specified interest in a certificate of title is less than $20.

Errors, Omissions, Revised Tax Statements

If a tax statement or the amount of tax calculated is incorrect, the tax may be recalculated and a revised tax statement sent to the owner. A revised statement may be sent not more than four years after the end of the taxation year to which it applied. Liability for tax is not affected by an error, omission, misdescription or by the non-receipt of a tax statement by the owner. If an owner has not received a tax statement by April 14, he may request that he be provided with a copy.

4. CALCULATION OF TAX

Method

Calculation of tax will be performed on a well-by-well basis, recognizing the status of the well in a production entity as of December 31 in the taxation year. A gross value for each well will be determined by multiplying the tax rate by the number of units to be taxed times the value per unit. The tax attributed to a specified owner in a certificate of title is calculated by taking the gross value for the

well or wells and multiplying this value by the title percentage of interest in the well times the owner percentage of interest in the title. The tax for a title in a unitized area will be calculated in the same manner but using the tract factors as stipulated in the unit agreement. Production volumes and hours of production will be obtained from the records of the Energy Resources Conservation Board.

Determining Unit Price

A. Petroleum Right

1. Where the well reported to a battery from which the crude oil had been sold through the Alberta Petroleum Marketing Commission, the Department of Energy and Natural Resources will use the Alberta Petroleum Marketing Commission facilities to arrive at a unit price.

This unit price will be determined for a taxation year as follows:

(i) Calculate the monthly weighted value by type for each well (OLD, NORP, SOOP).

Monthly weighted value by type =
Monthly volume by type ÷ Total annual production
x Monthly price by type

(ii) Repeat calculation for each month of production.

(iii) Add the monthly weighted values by type to determine the annual weighted value by type.

(iv) Add the annual weighted value for each type to determine the overall weighted value (see Appendix 6 for example).

2. Where the well reported to a battery but the crude oil was not sold through the Alberta Petroleum Marketing Commission, the department will require that unit prices be submitted by the lessee and/or operator of the well. This unit price may be determined by calculating the monthly weighted value as above.

3. The department will require a unit price for solution gas production (10^3 m^3), that is, gas produced in association with petroleum, from the lessee and/or operator of the well from which solution gas is recovered for each taxation year. This unit price can be computed in the same manner as for field gas production described below.

B. Natural Gas Right

1. The department will require a unit price for field gas production (10^3 m^3) for each taxation year. The calculation of this unit price may be determined by taking the net revenues received from a facility, such as a metering station, battery, plant, pool, etc., and dividing by the volume of the field gas production (10^3 m^3) which generated the net revenues. Revenues from gas well condensate should not be included in the net revenues for the field gas unless it had been reported to the Energy Resources Conservation Board as part of the field gas production.

Net revenues may be determined by a lessee on the basis for which royalty payments to the owner of the mineral right were calculated. If the field gas produced is being sold, used for injection purposes or flared and the unit value submitted is lower than the unit value of similar field gas, the department should be advised.

2. A unit price is also required for gas well condensate production (cubic metres) for each taxation year. This is condensate produced at the wellhead before plant processing and which was reported to the Energy Resources Conservation Board as gas well condensate. This unit price may be determined in the same manner as for crude oil production not sold through the Alberta Petroleum Marketing Commission.

This information should be submitted to the department by March 1 following each taxation year in the form of a list or description of the wells for which the unit price applies. A format similar to that referred to in Appendix 7 can be used.

In the event a unit price is not received in the department by the above-mentioned date, the highest price available for the pool in the field relating to the well will be applied to the production entity for the purposes of calculating tax pursuant to the Freehold Mineral Rights Tax Act and Regulations.

If more than one entity shares the production from a well, a unit value should be submitted to the department by each party. The department should also be advised as to the percentage of allocation

each party shares. All unit values received will be averaged for the purposes of calculating the tax in these cases.

Formula for Calculating Tax on Petroleum Rights

The petroleum right includes the tax calculation for crude oil and solution gas.

The crude oil factor for a well for a taxation year is the amount calculated in accordance with the following equation:

$$COF = R \times M \times V$$

where

COF is the crude oil factor, in dollars
R is the prescribed rate of tax for crude oil
M is the number of cubic metres of crude oil to be taxed determined according to the schedule below
V is the value per cubic metre.

Schedule

If the annual production from a well is greater than or equal to 2288.4 m^3, then

$$M = \frac{\text{Annual production}}{4} - 228.84; \text{ or}$$

if the annual production from a well is less than 2288.4 m^3, then

$$M = \frac{(\text{Annual production} \times 0.0833)^2}{105.94}$$

The solution gas factor for a well for a taxation year is the amount calculated in accordance with the following equation:

$$SGF = R \times M \times V$$

where

SGF is the solution gas factor, in dollars
R is the prescribed rate of tax for solution gas
M is the total volume of solution gas recovered in the taxation year in thousand cubic metres
V is the value per thousand cubic metres.

The gross tax calculated for an owner of the petroleum right in a certificate of title is the summation of all crude oil factors and the summation of all solution gas factors, each separately multiplied by the interest the tract has in the well or wells times the percentage of interest the owner has in the certificate of title.

The gross tax for the crude oil and solution gas may each be reduced by an amount of up to $1600 for each tract.

Formula for Calculating Tax on Natural Gas Rights

The natural gas right includes the tax calculation for field gas and gas well condensate.

The field gas factor for a taxation year for a well having an average daily production of natural gas of 16.9×10^3 m^3 or greater is the amount calculated in accordance with the following equation:

$$FGF = R \times M \times V$$

where

FGF is the field gas factor, in dollars
R is the prescribed rate of tax for field gas
M is the total volume of field gas recovered in the taxation year in thousand cubic metres
V is the value per thousand cubic metres.

Average daily production (ADP) is the total amount of field gas recovered from a well in the taxation year, expressed in thousand cubic metres (10^3 m^3), divided by the number of hours of operation of the well during that year and multiplied by 24.

The field gas factor for a taxation year for a well having an average daily production of natural gas of less than 16.9×10^3 m³ is the amount calculated in accordance with the following equation:

$$FGF = M \times V \times A$$

where

FGF is the field gas factor, in dollars
M is the total volume of field gas recovered in the taxation year in thousand cubic metres
V is the value per thousand cubic metres
A is the amount calculated in accordance with the following equation:

$$A = R - \left[\frac{(R - 0.01) \times (16.9 - ADP)^2}{(16.9)^2}\right]$$

where

R is the prescribed rate of tax for field gas
ADP is the average daily production for the well.

The gas well condensate factor for a well for a taxation year is the amount calculated in accordance with the following equation:

$$GWCF = R \times M \times V$$

where

GWCF is the gas well condensate factor, in dollars
R is the prescribed rate of tax for gas well condensate
M is the number of cubic metres of gas well condensate to be taxed determined according to the schedule below
V is the value per cubic metre.

Schedule

If the annual production from a well is greater than or equal to 2288.4 m³, then

$$M = \frac{\text{Annual production}}{4} - 228.84; \text{ or}$$

if the annual production from a well is less than 2288.4 m³, then

$$M = \frac{(\text{Annual production} \times 0.0833)^2}{105.94}$$

The gross tax calculated for an owner of the natural gas right in a certificate of title is the total of all field gas factors and the total of all gas well condensate factors, each separately multiplied by the interest the tract has in the well or wells times the percentage of interest the owner has in the certificate of title.

The values of the field gas factors and the gas well condensate factors are added together, resulting in a gross tax for the natural gas right. This gross tax may be reduced by an amount of up to $1600 for each tract.

Where a person owns both the petroleum right and natural gas right in a tract and a tax is calculated on each mineral right, the gross tax may be reduced by an amount of up to $1600 as follows:

1. An amount of up to $1600 on the gross tax calculated for crude oil; and
2. An amount of up to $1600 on the total gross tax calculated for solution gas, field gas and gas well condensate.

Unitized Areas

A tax on production entities having a freehold interest which are subject to a unitized agreement will be calculated on each well within the unitized area without regard to Crown or freehold lands.

The tax attributed to the owner in a certificate of title subject to the unit agreement will be calculated as follows:

$$\frac{\text{Area in certificate of title}}{\text{Area of unit tract}} \times \text{Unit tract factor} \times \text{Owner's interest in title}$$

5. CALCULATION OF TAX FOR EXCEPTION CASES

Tax Calculation for Solution Gas

Gas produced under pressure from a well designated as an oil well is considered to be solution gas. In most instances, operators report this production to the Energy Resources Conservation Board as gas but allocate the production of the solution gas to the owner of the petroleum right. For taxation purposes, the natural gas formula will be used in calculating the tax but liability for the tax will be attributed to the owner of the petroleum right. As the well is primarily producing crude oil, the low productivity factor will not be recognized in calculating tax on solution gas.

Tax Calculation for Gas Well Condensate

Liquid hydrocarbons obtained from a well designated as a natural gas well at or near the wellhead is considered to be gas well condensate. Tax on gas well condensate production as reported to the Energy Resources Conservation Board will be calculated using the crude oil tax factor but attributed to the owner of the natural gas right.

Tax Calculation for Injection Wells

A tax will be calculated on all production as reported to the Energy Resources Conservation Board which would include production for the purposes of gas injection. When submitting a unit value for natural gas which is being injected, the unit value should reflect any price variation (see "Determining Unit Price", Section B, "Natural Gas Right", in Part 4).

6. PAYMENT OF TAX

Responsibility

The person named on a certificate of title as the registered owner of a mineral right is responsible for payment of tax. However, anyone may pay the tax. Payment of tax does not entitle anyone to eventual ownership of the mineral right. Arrangements for payment of tax by anyone other than the registered owner must be made between the owner and the payer.

Due Date

Payment of tax is due in the department in Edmonton on or before May 15 in the year following the taxation year.

Interest

Interest at a rate of 1% greater than the Treasury Branch regular prime rate will be charged on any portion of the unpaid tax from the due date to the actual date of receipt of payment.

7. APPLICATION OF PAYMENT

Unless otherwise advised, payments on account of tax will be applied as follows:

1. On the interest, if any;
2. On the tax in arrears, if any; and
3. On the current tax.

8. APPEALS

If there is an error in the tax statement or calculation of the tax, the owner or a person on his behalf should notify the department of the error or discrepancy. The department will then review the new information and if in agreement will issue a new tax statement reflecting any changes. However, if an agreement as to the errors cannot be reached, providing that the tax has been paid in full, the owner, lessee or a payer may then appeal the calculation of the tax to the minister of Energy and Natural Resources in writing. The appeal must be submitted on or before July 15 in the year following the taxation year.

Should the appeal be successful, a refund with interest will be sent to the person who had paid the tax. Interest will be paid at the same rate as charged by the department on any unpaid tax as described under "Interest" (see Part 6).

An appeal board will be appointed by July 31. If desired, because of confidentiality the appeal may be held in camera. An appeal should make reference to the certificate of title, name of registered owner, mineral right, production entity and reason for appeal.

9. NON-PAYMENT OF TAX

If the tax is not paid within 90 days after it is due, a notice will be sent to the owner of the mineral right advising him that unless all tax and interest are paid within 90 days, his certificate of title will be cancelled and a new certificate of title issued, vesting ownership of the mineral right in the name of the Crown.

A copy of the notice will be sent to each person shown on the certificate of title as having an interest in the mineral right.

A tax arrears notification will be registered on the certificate of title at the Land Titles Office if the tax has not been paid within 30 days of the date of the notice. Within 60 days from the date of the notice a "Notice of Intention to Assume Title to the Mineral Right" will be published in The Alberta Gazette. At the expiration of the 90-day period, the registrar of the Land Titles Office will be advised to cancel the certificate of title to the Crown as owner. The tax constitutes a charge on the mineral right.

10. TAX CERTIFICATES

For a fee of $5 a tax certificate will be issued to any person requesting one. The certificate will indicate whether or not all taxes have been paid. The amount of any unpaid tax will be given only to the registered owner.

11. GENERAL INFORMATION

Copies of Tax Statement for Lessees/Payers

The sending of copies of tax statements to persons other than the registered owner is not a legislative requirement but is provided as a service by the department.

Because the information detailed on the tax statements may be of a confidential nature, steps have been taken to ensure that confidentiality is maintained. As a result, copies of tax statements will no longer be sent to any person other than the registered owner, as has been the practice in past years, without proper authorization.

The department will require written notice requesting copies of tax statements from lessees and payers. The request must be in the form of:

1. A statutory declaration signed before a commissioner for oaths indicating that written consent by the owner has been obtained with a copy of the consent attached; or
2. A statutory declaration signed before a commissioner for oaths stating a person's interest in the tract for which a copy of the tax statement is requested.

A schedule may be attached to the statutory declaration when copies of tax statements are being requested for many title owners. This request should state the certificate of title number and the name of the registered owner. Any additions, deletions or changes to the request should be updated on an annual basis.

The deadline for this information for the 1983 taxation year is January 15, 1984 and prior to March 1 for each succeeding taxation year.

Addresses

Tax statements will be sent to the owner, lessee and/or payer at the **address on record** in the Mineral Tax Branch of the department.

Ownership

Joint owners registered in a certificate of title jointly or in common of a mineral right are regarded as one owner.

Multiple owners registered in a certificate of title, each having a specified interest, are regarded as individual owners without regard to any other owner in the same title.

Change of Ownership

The department will receive advice from the Land Titles Office as to any change of ownership with respect to a mineral right. An owner should advise the department of any other changes, including a change of address.

Retention and Communication of Records or Information

Records relating to the calculation of tax, such as the amount of minerals recovered, the sale or disposition of those minerals, the costs of recovering and processing those minerals, the payment of royalties to the owners or the payment of mineral tax, which are in the possession of an owner, lessee, operator or former owners, lessees or operators, are required to be kept for a period of five years after the taxation year.

It is an offence for a person to communicate or allow to be communicated any record or information pertaining to the calculation of tax unless that person is legally entitled to do so. A person guilty of this offence is liable to a fine of not more than $5000.

Allowable Costs

Generally, allowable costs for deriving a net revenue are those costs which were deducted prior to determining the royalty payable to the mineral right owner. These costs could include but are not limited to gathering, compression, processing, transportation and storage.

Determination of Owner's Interest in a Production Entity

For a single well, production spacing unit, block, etc., an owner's interest is determined by prorating the area in the certificate of title to the total area allocated to the production entity and multiplying by the owner's interest in the title.

Example:

Spacing of a gas well	256 ha (1 section)
Area of certificate of title	64 ha (¼ section)
Owner interest in title	50% (½)

$$\frac{64}{256} \times \frac{50}{100} = 0.125 \text{ or } 12\frac{1}{2}\%$$

For a unitized area, an owner's interest is determined by prorating the area in the certificate of title to the total area of the unit tract and multiplying by the unit tract factor. This is then multiplied by the owner's interest in the certificate of title.

Example:

Area of unit tract	256 ha (1 section)
Area of certificate of title	128 ha (½ section)
Owner interest in title	33.3% (1/3)
Unit tract factor	0.4528

$$\frac{128}{256} \times 0.4528 \times \frac{33.3}{100} = 0.0754$$

Real Personal Property

Mineral rights registered in a certificate of title at the Land Titles Office are a form of real property and may be sold, leased, willed or otherwise disposed of by an owner.

Special Cost Allowances

The minister may prescribe a tax payable with respect to a taxable mineral right that is less than the tax payable as calculated if it appears desirable in the interest of conservation or of maintaining or increasing the recovery of the mineral.

Phased Tax Implementation

If the aggregate freehold mineral tax an owner or lessee is liable to pay for the 1983 taxation year is greater than the prescribed rate of increase that would have been paid under the Freehold Mineral Taxation Act, the owner or lessee may apply to the minister for a reduction of his aggregate tax.

The owner or lessee must submit an application prior to July 15, 1984 and present the following information:

1. A listing of all taxable mineral rights for which he is liable for payment of the tax.
2. A detailed calculation of what the 1983 tax would have been if calculated under the former act.
3. The variance of tax for each taxable mineral right and the total tax variance.

If the minister concurs with the calculations, a refund for the variance of the aggregate tax will be made together with interest accrued to the date of the requisition for payment.

A rate may be prescribed by the minister for each of the 1983, 1984 and 1985 taxation years. Any refund of tax for each of the 1983, 1984 or 1985 taxation years will be based on the calculation of the 1983 tax which would have been levied under the former act.

Resource Allowance

Freehold mineral tax is eligible for resource allowance.

Alberta
ENERGY AND
NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX STATEMENT FOR THE YEAR XXXX

TAX IS PAYABLE BY MAY 15, XXXX

OWNER NAME
OWNER ADDRESS (STREET)
(CITY)
(PROVINCE)
(POSTAL CODE)

COPIES TO:
(1) LESSEE NAME
(2) PAYER NAME

OWNER ID XXXXX FILE ID XXXXX ACCOUNT ID XXXXX

TITLE	MINERAL RIGHT	PRODUCT	GROSS TAX	EXEMPTION	TAX PAYABLE
XXXXXXXXXXX	NATURAL GAS	FIELD GAS CONDENSATE	$ 73,301.05 $ 1,498.54	$1,600.00	$ 73,199.59

PAYMENT MUST BE MADE IN CANADIAN FUNDS BY BANK DRAFT, BANK OR POSTAL MONEY ORDER OR BY CHEQUE DRAWN ON A CANADIAN BANK TO:

PAY THIS AMOUNT → $ 73,199.59

TOTAL

ALBERTA ENERGY AND NATURAL RESOURCES
FREEHOLD MINERAL TAX SECTION
PETROLEUM PLAZA
9945 - 108 STREET
EDMONTON, ALBERTA T5K 2C9

WHERE THE WHOLE OR ANY PART OF THE TAX IS NOT RECEIVED IN EDMONTON BY THE DEPARTMENT ON OR BEFORE THE DATE SPECIFIED ABOVE, THE UNPAID TAX SHALL BE SUBJECT TO INTEREST IN ACCORDANCE WITH SECTION 15 OF THE REGULATIONS.

REGISTERED OWNERS:

Example of Tax Calculation for Natural Gas Rights - Calculations

Alberta
ENERGY AND
NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX STATEMENT FOR THE YEAR XXXX

PAGE XXX

OWNER NAME
OWNER ADDRESS (STREET)
(CITY)
(PROVINCE)
(POSTAL CODE)

OWNER ID: XXXXX
FILE ID: XXXXX
ACCOUNT ID: XXXXX
TITLE ID: XXXXXXXXXX
% INTEREST
IN TITLE: 100.0000000

DETAILED TAX CALCULATIONS

PRODUCTION ENTITY	% INT IN PROD ENTITY		PRODUCTION		VALUE EXEMPT	GROSS TAX
XX/XX-XX-XXX-XX-XX	75.0000000	GAS	7975.5	LOW	108.449	$39,570.78
(Hours = 4390)*		CON	937.4	LOW	132.000	$ 1,498.54
ABC Gas Unit No. 1						
XX/XX-XX-XXX-XX-XX	46.2200000	GAS	6235.4		95.525	$16,793.50
(Hours = 3490)*						
XX/XX-XX-XXX-XX-XX	46.2200000	GAS	4180.7		95.525	$11,259.67
(Hours = 2971)*						
XX/XX-XX-XXX-XX-XX	46.2200000	GAS	2108.9	LOW	95.525	$ 5,677.10
(Hours = 3061)*						

NOTE

Rate of tax used in above calculations:
Field gas = 0.061
Condensate = 0.263
Unit tract factor = 46.220
*Well production hours
Rate and hours will not be indicated on actual tax statement.

Alberta
ENERGY AND
NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX STATEMENT FOR THE YEAR XXXX

TAX IS PAYABLE BY MAY 15, XXXX

OWNER NAME
OWNER ADDRESS (STREET)
(CITY)
(PROVINCE)
(POSTAL CODE)

COPIES TO:
(1) LESSEE NAME
(2) LESSEE NAME

OWNER ID XXXXX FILE ID XXXXX ACCOUNT ID XXXXX

TITLE	MINERAL RIGHT	PRODUCT	GROSS TAX	EXEMPTION	TAX PAYABLE
XXXXXXXXXXX	PETROLEUM	CRUDE OIL	$ 124,026.82	$1,600.00	$ 122,426.82
		SOLUTION GAS	$ 3,445.97	$1,600.00	$ 1,845.97

PAYMENT MUST BE MADE IN CANADIAN FUNDS BY BANK DRAFT, BANK OR POSTAL MONEY ORDER OR BY CHEQUE DRAWN ON A CANADIAN BANK TO:

PAY THIS AMOUNT $ 124,272.79

TOTAL

ALBERTA ENERGY AND NATURAL RESOURCES
FREEHOLD MINERAL TAX SECTION
PETROLEUM PLAZA
9945 - 108 STREET
EDMONTON, ALBERTA T5K 2C9

WHERE THE WHOLE OR ANY PART OF THE TAX IS NOT RECEIVED IN EDMONTON BY THE DEPARTMENT ON OR BEFORE THE DATE SPECIFIED ABOVE, THE UNPAID TAX SHALL BE SUBJECT TO INTEREST IN ACCORDANCE WITH SECTION 15 OF THE REGULATIONS.

REGISTERED OWNERS: NAMES OF MULTIPLE OWNERS REGISTERED ON A CERTIFICATE OF TITLE.

APPENDIX 2
Example of Tax Calculation for Petroleum Rights - Statement

Example of Tax Calculation for Petroleum Rights - Calculations

Alberta
ENERGY AND
NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX STATEMENT FOR THE YEAR XXXX

PAGE XXX

OWNER NAME
OWNER ADDRESS (STREET)
(CITY)
(PROVINCE)
(POSTAL CODE)

OWNER ID: XXXXX
FILE ID: XXXXX
ACCOUNT ID: XXXXX
TITLE ID: XXXXXXXXXX
% INTEREST
IN TITLE: 100.0000000

DETAILED TAX CALCULATIONS

PRODUCTION ENTITY	% INT IN PROD ENTITY		PRODUCTION	VALUE	EXEMPT	GROSS TAX
XX/XX-XX-XXX-XX-XX	100.0000000	OIL	4565.3	128.000		$30,717.90
		GAS	415.2	72.325		$ 1,831.79
PSU No. XYZ						
ZZ/ZZ-ZZ-ZZZ-ZZ-Z/Z	100.000	OIL	11916.5	129.000		$93,308.92
		GAS	380.2	69.600		$ 1,614.18

NOTE

Rate of tax used in above calculations:
Crude oil = 0.263
Solution gas = 0.061
Rate will not be indicated on actual tax statement.

Alberta
ENERGY AND NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX STATEMENT FOR THE YEAR XXXX

TAX IS PAYABLE BY MAY 15, XXXX

OWNER NAME
OWNER ADDRESS (STREET)
(CITY)
(PROVINCE)
(POSTAL CODE)

COPIES TO:
(1) LESSEE NAME
(2) PAYER NAME

OWNER ID XXXXX FILE ID XXXXX ACCOUNT ID XXXXX

TITLE	MINERAL RIGHT	PRODUCT	GROSS TAX	EXEMPTION	TAX PAYABLE
XXXXXXXXXXX	PETROLEUM	CRUDE OIL SOLUTION GAS	$ 5,408.27	$1,600.00	$ 3,808.27
	NATURAL GAS	CONDENSATE FIELD GAS	$36,417.55	$1,600.00	$34,817.55
			PAY THIS AMOUNT		$38,625.82 TOTAL

PAYMENT MUST BE MADE IN CANADIAN FUNDS BY BANK DRAFT, BANK OR POSTAL MONEY ORDER OR BY CHEQUE DRAWN ON A CANADIAN BANK TO:

ALBERTA ENERGY AND NATURAL RESOURCES
FREEHOLD MINERAL TAX SECTION
PETROLEUM PLAZA
9945 - 108 STREET
EDMONTON, ALBERTA T5K 2C9

WHERE THE WHOLE OR ANY PART OF THE TAX IS NOT RECEIVED IN EDMONTON BY THE DEPARTMENT ON OR BEFORE THE DATE SPECIFIED ABOVE, THE UNPAID TAX SHALL BE SUBJECT TO INTEREST IN ACCORDANCE WITH SECTION 15 OF THE REGULATIONS.

REGISTERED OWNERS:

Example of Tax Calculation for Petroleum and Natural Gas Rights - Calculations

Alberta
ENERGY AND
NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX STATEMENT FOR THE YEAR XXXX

PAGE XXX

OWNER NAME
OWNER ADDRESS (STREET)
(CITY)
(PROVINCE)
(POSTAL CODE)

OWNER ID: XXXXX
FILE ID: XXXXX
ACCOUNT ID: XXXXX
TITLE ID: XXXXXXXXXX
% INTEREST
IN TITLE: 50.0000000

DETAILED TAX CALCULATIONS

PRODUCTION ENTITY	% INT IN PROD ENTITY		PRODUCTION		VALUE	EXEMPT	GROSS TAX
XX/XX-XX-XXX-XX-X/X	50.0000000	OIL	2186.1	LOW	131.390		$ 5,408.27
		GAS	387.5		67.711		$ 800.26
XX/XX-XX-XXX-XX-X/X	50.0000000	GAS	10435.4		111.495		$35,486.60
		CON	335.6	LOW	134.725		$ 130.69

(Hours = 2469)*

NOTE

Rate of tax used in above calculations:
Crude oil = 0.263
Solution gas = 0.061
Field gas = 0.061
Condensate = 0.263

*Well production hours
Rate and hours will not be indicated on actual tax statement.

APPENDIX 4
Example of Tax Statement for Lessee/Payer

Alberta
ENERGY AND
NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX STATEMENT FOR THE YEAR XXXX

TAX PAYABLE BY MAY 15, XXXX

LESSEE/PAYER NAME
LESSEE/PAYER ADDRESS

TITLE XXXXXXXXXX

XXXXX (LESSEE/PAYER ID)

OWNER NAME % INT IN TITLE	ACCOUNT	FILE		GROSS TAX	EXEMPTION	TAX PAYABLE
Registered Owner No. 1 50.0000	XXXXX	XXXXX	OIL	$ 9,287.95	$1,600.00	$ 7,687.95
			GAS	$17,060.80	$1,600.00	$15,460.80
Registered Owner No. 2 50.0000	XXXXX	XXXXX	OIL	$ 9,287.95	$1,600.00	$ 7,687.95
			GAS	$17,060.79	$1,600.00	$15,460.79

DETAILED TAX CALCULATIONS

PRODUCTION ENTITY	% INT IN PROD ENTITY		PRODUCTION		VALUE	EXEMPT	GROSS TAX
00/01-01-001-01-4/0	100.0000000	OIL	3125.3		127.842		$18,575.90
		GAS	762.8		75.675		$ 3,521.22
00/02-02-002-02-4/0	100.0000000	GAS	5102.5		90.620		$28,205.70
		CON	1023.4	LOW	132.730		$ 2,394.67

(Hours = 3210)*

NOTE

Rate of tax used in above calculations:
Crude oil = 0.263
Solution gas = 0.061
Field gas = 0.061
Condensate = 0.263

*Well production hours
Rate and hours will not be indicated on actual tax statements for lessees and/or payers.

APPENDIX 5
Example of Tax Summary

Alberta
ENERGY AND
NATURAL RESOURCES

FREEHOLD MINERAL RIGHTS TAX ACT

TAX SUMMARY FOR THE YEAR XXXX

OWNER/LESSEE AND/OR PAYER NAME
OWNER/LESSEE AND/OR PAYER ADDRESS

RETURN ONE COPY WITH REMITTANCE
XXXXX (OWNER/LESSEE AND/OR PAYER ID)

TITLE	OWNER ID	FILE	ACCOUNT	TAX PAYABLE	AMOUNT REMITTED
XXXXXXXXXXX	XXXXX	XXXXX	XXXXX	$23,148.75	$
	XXXXX	XXXXX	XXXXX	$23,148.74	$
XXXXXXXXXXX	XXXXX	XXXXX	XXXXX	$ 9,179.09	$
	XXXXX	XXXXX	XXXXX	$ 9,179.09	$
	XXXXX	XXXXX	XXXXX	$ 9,179.10	$
			TOTAL	$73,834.77	$

APPENDIX 6
Weighted Price for Crude Oil

WELL IDENTIFICATION: 02 01 01 002 03 6 3 FIELD: 0457

MONTH	PRODUCTION	OLD PROD	SOOP PROD	NORP PROD	OLD $	SOOP $	NORP $	OLD $	SOOP $	NORP $
JAN.	35.50	11.82	11.82	11.85	169.65	174.30	230.20	4.632	4.759	6.301
FEB.	31.90	10.62	10.62	10.65	169.65	174.30	227.80	4.162	4.276	5.604
MAR.	41.00	13.65	13.65	13.69	169.65	174.30	227.80	5.349	5.496	7.204
APR.	45.10	15.01	15.01	15.06	169.65	172.55	224.95	5.882	5.983	7.826
MAY	42.20	14.05	14.05	14.09	169.65	170.60	221.80	5.506	5.537	7.219
JUN.	39.00	12.98	12.98	13.02	169.65	169.65	218.40	5.087	5.087	6.569
JUL.	54.00	27.00		27.00	169.65	169.65	208.90	10.581	0.000	13.029
AUG.	36.40	18.20		18.20	169.65	166.66	199.80	7.132	0.000	8.400
SEP.	8.00	4.00		4.00	169.65	167.00	192.90	1.568	0.000	1.782
OCT.	17.00	8.50		8.50	169.65	172.00	192.90	3.331	0.000	3.788
NOV.	41.40	20.70		20.70	169.65	155.55	199.65	8.112	0.000	9.547
DEC.	41.40	20.70		20.70	169.65	156.40	202.10	8.112	0.000	9.664
TOTAL	432.90	177.23	78.13	177.46				69.454	31.138	86.933

ANNUAL WEIGHTED PRICE: 187.525

CALCULATIONS

$$\text{OLD } \frac{11.82}{432.90} \times 169.65 = 4.632$$

$$\text{SOOP } \frac{11.82}{432.90} \times 174.30 = 4.759$$

$$\text{NORP } \frac{11.85}{432.90} \times 230.20 = 6.301$$

Repeat calculations for each month of production.

Add the weighted values for OLD, SOOP and NORP to determine annual weighted price.

APPENDIX 7
Unit Price Information

TO: Freehold Mineral Tax Branch
Department of Energy and Natural Resources
North Tower, Petroleum Plaza
9945 - 108 Street
Edmonton, Alberta
T5K 2C9

FROM:

CONTACT PERSON: TELEPHONE:

The following unit prices are submitted to the Department of Energy and Natural Resources for use in the calculation of tax pursuant to the Freehold Mineral Rights Tax Act and Regulations for the taxation year 1983.

UNIT PRICE ($)	UNIQUE WELL IDENTIFIER	PRODUCT PRODUCED
		(Crude Oil)
		(Solution Gas)
		(Natural Gas)
		(Condensate)

DEFINITION OF TERMS

AVERAGE DAILY PRODUCTION - The total amount of field gas recovered from a well in the taxation year, expressed in thousand cubic metres (10^3 m^3), divided by the number of hours of operation of the well during that year and multiplied by 24.

EXEMPT - Flag (Y or blank) as indicated on the Detailed Tax Calculation. A "Y" indicates the well is exempt from payment of tax pursuant to the Exploratory Drilling Incentive Regulations.

FREEHOLD MINERAL RIGHT - Mineral right owned by a person other than the Crown.

GROSS TAX - The tax attributed to an owner registered in a certificate of title before any reduction of the tax with respect to the taxable mineral right.

LESSEE - A person who by agreement with the registered owner of a mineral right has a right to recover a mineral.

LESSOR - Registered owner of a mineral right.

LOW - If indicated on the Detailed Tax Calculation it identifies the well as having low productivity for tax calculation purposes.

OPERATOR - A person who is responsible for conducting a drilling, development or production operation on a tract for the recovery of a mineral.

OWNER PERCENTAGE OF INTEREST IN TITLE - The interest attributed to the owner of a specified title in relationship to the whole of the owners registered within that title.

PRODUCTION ENTITY - A grouping of one or more wells actively producing petroleum and/or natural gas, involving the following:

- Single well
- Production spacing unit
- Block
- Project
- Integrated scheme
- Gas block
- Joint operating agreement
- Unit

PRODUCTION UNITS - Annual volume of:

Petroleum	- measured in cubic metres (m^3)
Field gas	- measured in thousand cubic metres (10^3 m^3)
Solution gas	- measured in thousand cubic metres (10^3 m^3)
Gas well condensate	- measured in cubic metres (m^3)

TAXATION YEAR - A calendar year.

TITLE - The certificate of title as registered at the Land Titles Office to which production from a well is attributable to the tract.

TITLE PERCENTAGE OF INTEREST IN PRODUCTION ENTITY - That portion of a drilling spacing unit of a production entity attributed to the certificate of title in relationship to the whole of the drilling spacing unit of a production entity. In the case of a unitized area, the tract participation factor allocated to the tract attributed to the certificate of title.

TRACT - Land described in a certificate of title.

VALUE - The unit price of the product taxed.